
OAO “Krastsvetmet”

Independent Reasonable Assurance Report
(ISAE 3000 engagements)
on the Refiner’s Compliance Report
for the year ended 31 December 2013





To the management of OAO “Krastsvetmet”:

***Independent Reasonable Assurance Report to
Open Joint Stock Company “Krastsvetmet”
 (“Krastsvetmet”/the “Company”)***

We were engaged by Krastsvetmet to provide reasonable assurance on its Refiner’s Compliance Report for the year ended 31 December 2013.

1. Management’s Responsibility

The management of the Company is responsible for the preparation and presentation of the Refiner’s Compliance Report in accordance with the LBMA Responsible Gold Guidance (the “Guidance”). This responsibility includes establishing appropriate risk management and internal controls from which the reported information is derived. The criteria identified by the management as relevant for demonstrating compliance with the Guidance are the activities described within the Refiner’s Compliance Report.

2. Our Responsibility

Our responsibility is to carry out a reasonable assurance engagement in order to express an opinion as to whether the Refiner’s Compliance Report, in all material respects, describes fairly the activities undertaken during the year to demonstrate compliance, and that management’s overall conclusion contained therein is in accordance with the requirements of the LBMA Responsible Gold Guidance. We conducted our engagement in accordance with the International Standard on Assurance Engagements (“ISAE”) 3000 Assurance Engagements other than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Board and the guidance set out in the LBMA Responsible Gold Programme – Third Party Audit Guidance for ISAE 3000 Auditors (the “Audit Guidance”).

This report has been prepared for Krastsvetmet for the purpose of assisting management in determining whether Krastsvetmet has complied with the Guidance and for no other purpose.

3. Restriction of use

Our reasonable assurance report is made solely to Krastsvetmet in accordance with the terms of our engagement. We do not accept or assume responsibility to anyone other than Krastsvetmet for our work, or for the conclusions we have reached in the reasonable assurance report.

4. Subject matter

The assurance scope consists of the Refiner’s Compliance Report.



5. Inherent limitations

Non-financial information, such as that included in the Refiner's Compliance Report, is subject to more inherent limitations than financial information, given the more qualitative characteristics of the subject matter and the methods used for determining such information. The methods used by Refiners to comply with the Guidance may differ. It is important to read Krastsvetmet's gold supply chain policy available on Krastsvetmet website (www.krastsvetmet.ru).

6. Independence and competency statement

In conducting our engagement we have complied with the applicable requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants.

In conducting our reasonable assurance engagement, we confirm that we satisfy the criteria for assurance providers as set out in the Audit Guidance to carry out the reasonable assurance engagement.

7. Basis for qualified opinion

We have assessed all 5 steps of the Guidance and we identified the following matters:

Step 1 – Establish strong company management systems

During January – October 2013 Krastsvetmet did not establish a gold supply chain policy and assign a risk officer. All the relevant policies and procedures including assigning a risk officer have been performed in November 2013.

During January – October 2013 Krastsvetmet did not encourage that its gold-supplying counterparties commit to, and acknowledge in writing the compliance with, a supply chain policy consistent with the Guidance.

Step 2 – Identify and assess risk in the supply chain

During January – October 2013 there was no written evidence that the supply chain due diligence measures comprised all appropriate procedures.

During January – October 2013 no risk assessment policy was established for counterparties in accordance with the Guidance.

Since November 2013 all procedures required by the Guidance were conducted as required, the Company conducted retrospective analysis of whether its counterparties with whom it conducted activities in 2013 would have been in compliance with the new guidance, and concluded that no gold supply chain parties would have been assigned a cumulative high risk rating, hence, no conflict gold would have been processed by Krastsvetmet in 2013.



Step 3 – Design and implement a management strategy to respond to identified risks

During January – October 2013 there was no written evidence of regular reassessment of current counterparties and no policy implemented in relation to a risk/mitigation control plan.

Since November 2013 all procedures required by the Guidance were conducted as required, the Company conducted retrospective analysis of whether its counterparties with whom it conducted activities in 2013 would have been in compliance with the new guidance, and concluded that no gold supply chain parties would have been assigned cumulative high risk rating, hence, no conflict gold would have been processed by Krastsvetmet in 2013.

Step 4 – Arrange for an independent third-party audit of the supply chain due diligence

An independent third-party audit of the supply chain due diligence has been performed for 2012 and the audit report has been obtained on 10 December 2013. However, the Company did not submit it to LBMA by 31 December 2013 as required by LBMA clarifications to the Guidance.

8. Qualified opinion

In our opinion, except for the effects and possible effects of the matters described in the Basis for qualified opinion section, the Refiner's Compliance Report for the year ended 31 December 2013, in all material respects, describes fairly the activities undertaken during the year to demonstrate compliance, and management's overall conclusion contained therein is in accordance with the requirements of the LBMA Responsible Gold Guidance.

ZAO PricewaterhouseCoopers Audit
1 August 2014